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## Fed Minutes Reflect Continuing Fears

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A dramatic economic weakening in the United States and across the world helped prod the [Federal Reserve](#) to pump more than \$1 trillion into the economy, according to minutes of a recent Fed meeting released on Wednesday.

At their most recent meeting, members of the central bank's Open Market Committee worried about persistent declines in the economy and "downside risks to an outlook for activity that was already weak." They talked about the best path toward loosening credit markets.

The minutes of the committee's March 17-18 meeting, which were released Wednesday, offered a glimpse into how the Fed decided to inject another \$1 trillion into the economy through a decision to buy \$750 billion in mortgage-backed securities and \$300 billion of longer-term Treasuries.

"In light of the economic and financial conditions, meeting participants viewed the expansion of the Federal Reserve's balance sheet that might be associated with these and other programs as appropriate in order to foster the dual objectives of maximum employment and price stability," the Fed minutes said.

It was a significant move, one that immediately cascaded through the markets.

[Stocks](#) soared, and government bond prices spiked, causing yields on the benchmark 10-year note to fall from 3 percent to about 2.5 percent as investors welcomed a big new buyer to the government bond market. The price of gold rose, and the value of the dollar dropped against other currencies, a reflection of worries that the Fed's actions could set the stage for a weaker dollar and sharp inflation once the economy begins to recover.

But the meeting's minutes suggest that inflation, a major concern as food and energy prices soared last year, has become a distant worry as policymakers try to prop up the American economy.

“All participants agreed that inflation pressures were likely to remain subdued, and several expressed the view that inflation was likely to persist below desirable levels,” the committee said in the minutes.

The Fed has cut its economic views for 2009 — although many economists are expecting even worse performance than the Fed's revised outlook — and it has signaled that it will keep target interest rates low for the foreseeable future.

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